

Message Text

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ACTION ARA-14

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC NIACT IMMEDIATE 2603

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USICA FOR AR

E.O. 11652: NA

TAGS: PEPR ENRG EINV VE US

SUBJECT: WIRE SERVICE STORY ON US-VENEZUELA PETROLEUM COOPERATION

1. EL MUNDO, SENSATIONALIST AFTERNOON DAILY, ON JUNE 8
FRONTPAGE UPI STORY OF JUNE 8 DATELINED WASHDC.
STORY, SUPPOSEDLY BASED ON BRIEFING PAPERS FOR PRESIDENT
CARTER'S VISIT TO VENEZUELA, MAKES FOLLOWING POINTS:
(A) THE US SEES VENEZUELA AS ONE OF THE FEW RELIABLE
AND POLITICALLY STABLE SOURCES OF PETROLEUM FOR THE US
BUT REJECTS VENEZUELAN PROPOSAL TO DEVOTE A 5 TO 8 PERCENT OIL
PRICE INCREASE TO PAY THE DEBTS OF ON PETROLEUM LDC'S.
(B) USG IS CONVINCED VENEZUELA NEEDS AMERICAN PETROLEUM
COMPANIES FOR DEVELOPMENT OF NEW PETROLEUM FIELDS BUT
SUCH COOPERATION IS UNCERTAIN SO LONG AS COMPENSATION
AND TAX CLAIMS REMAIN UNSETTLED. (C) USG WOULD LIKE
INCREASED ENERGY COOPERATION BETWEEN US AND VENEZUELA,
BUT THIS CANNOT BE ON A GOVERNMENT TO GOVERNMENT BASIS
BECAUSE AMERICAN PETROLEUM TECHNOLOGY IS IN THE HANDS
OF PRIVATE INDUSTRY. (D) PRESIDENT PEREZ' PLAN TO
UTILIZE AN OIL PRICE INCREASE TO PAY THE DEBTS OF
NON PETROLEUM LDC'S CANNOT BE USED TO FURTHER US
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INTERESTS. IT WOULD LEAD, AMONG OTHER THINGS, TO
MORE FREQUENT INCREASES IN PRICE OF CRUDE AND WOULD
ALSO ENCOURAGE NON-OPEC PETROLEUM PRODUCERS SUCH
AS MEXICO, USSR, NORWAY AND THE UK TO
INCREASE THEIR PRICES. IT ALSO POINTS OUT PEREZ' PROPOSAL
DID NOT RECEIVE SUPPORT OF ITS SUPPOSED
BENEFICIARIES OR EVEN OF TIS OPEC PARTNERS. (E)

RESPONSIBILITY OF USG IS TO MAKE SURE THAT TUS PETROLEUM COMPANIES NATIONALIZED BY VENEZUELA RECEIVE JUST AND ADEQUATE COMPENSATION. HOWEVER, IN VIEW OF UNSETTLED RELATIONS BETWEEN TH GOV AND THESE AMERICAN COMPANIES, IT IS NOT CERTAIN THAT THESE COMPANIES WOULD BE PREPARED TO INVEST IN THE DEVELOPMENT OF PETROLEUM DEPOSITS IN THE SO CALLED ORINOCO TAR BELT AND VENEZUELA'S CONTINENTAL SHELF.

2. BEGIN COMMENT: EMBASSY BELIEVES THAT DEPARTMENT SHOULD BE PREPARED TO FIELD QUESTIONS ON THIS STORY AT JUNE 9 NOON BRIEFING. DEPARTMENT SHOULD BE PARTICULARLY CAREFUL IN ADDRESSING PERESIDENT PEREZ' PROPOSAL TO PAY OFF NON-OIL PRODUCING LDC DEBT. PRESIDENT PEREZ TAKES THIS PROPOSAL VERY SERIOULSY INDEED AND UPI STORY WILL HAVE TOUCHED HIS "AMOUR PROPRE". END COMMENT.

3. ON AN IF-ASKED BASES ONLY, EMBASSY WILL BE PREPARED TO REPLY AS FOLLOWS TO LOCAL QUERIES:

Q. USG ATTITUDES TOWARD OIL PRICING, OPEC AND COMPENSATION FOR US PETROLEUM COMPANIES NATIONALIZED BY GOV.
A. THE VENEZUELAN GOVERNMENT IS FULLY AWARE OF THE POSITION OF THE US GOVERNMENT ON PETROLUUM MATTERS. THERE IS COMPLETE FRANKNESS BETWEEN THE TWO GOVERNMENTS LIMITED OFFICIAL USE

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AND BETWEEN PRESIDENTS PEREZ AND CARTER ON THESE MATTERS.

Q. USG OPPOSITION TO PETROLEUM PRICE INCREASES.
A. THE USG'S POSITION ON PETROLEUM PRICING IS WELL KNOWN.

Q. USG ATTITUDE TOWARD PRESIDENT PEREZ' PROPOSAL TO HELP PAY LDC DEBT.
A. THE USG CANNOT COMMENT ON PRESIDENT PEREZ' PROPOSAL WHICH WAS MADE TO OPEC. THIS MATTER HAS NOT BEEN DISCUSSED BY THE TWO PRESIDENTS.

Q. ENERGY COOPERATION BETWEEN THE US AND VENEZUELA, EITHER ON A GOVERNMENT-TO-GOVERNMENT BASIS OR THROUGH PRIVATE INDUSTRY.
A. THE USG WANTS CLOSER ENERGY COOPERATION BETWEEN OUR TWO COUNTRIES. ALTHOUGH IN THE US TECHNOLOGY IS IN THE HANDS OF PRIVATE COMPANIES AND NOT UNDER GOVERNMENT CONTROL, THERE WAS A RECENT EXCHANGE OF EXPERTS BETWEEN OUR TWO COUNTRIES TO EXPLORE SUCH COOPERATION.

Q. PRIVATE US OIL COMPANY PARTICIPATION IN DEVELOPING
NEW VENEZUELAN DEPOSITS.

A. THE USG CANNOT SPEAK FOR PRIVATE COMPANIES.

4. ACTION REQUESTED. THAT THE DEPARTMENT SEND EMBASSY
ITS PRESS GUIDANCE ON THIS STORY AS SOON AS AVAILABLE.
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